Headquarters U. S. Air Force

Integrity - Service - Excellence

Logistics: Sustaining the Balance

Col Perry Cooper
AFMSA/SGSL

Sustaining the Balance

Supporting the Warfighter and the Air Force Family

48th Medical Logistics Symposium

Nashville, Tennessee

August 4-6, 2004

U.S. AIR FORCE

Best Balance AFMS Tenets

osture AFMS to Support the Warfighter!

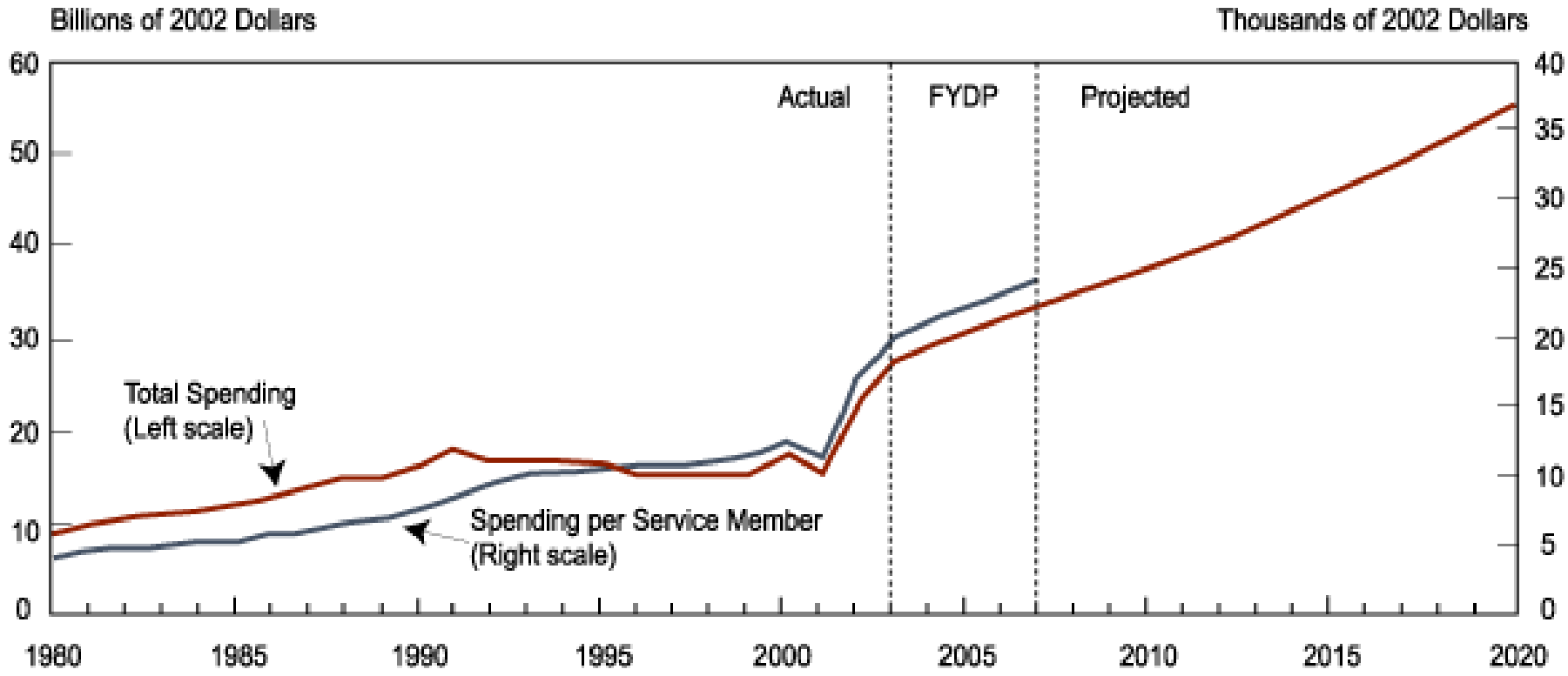
Remain Operationally Relevant… Light, Lean & Lifesaving

Posture AFMS to Support Operational Construct

Provide High Value Healthcare Benefit to AF Family

U.S. AIR FORCE

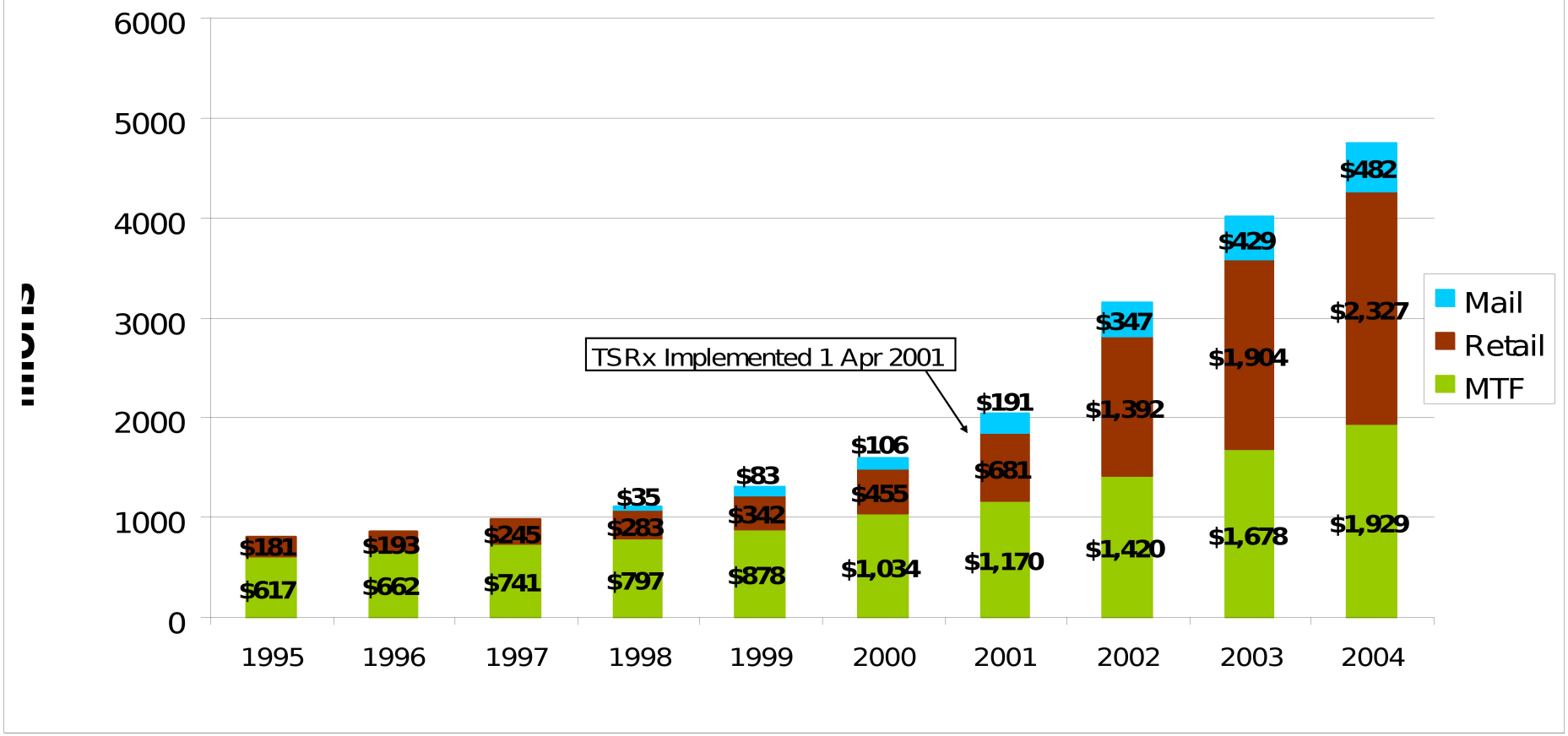
Budgetary Pressures



Source: Congressional Budget Office using data from the Department of Defense.

Note: FYDP = Future Years Defense Program.

DoD Drug Expenditures and Projections



		1996	1997	1998	1999	2000	2001	2002	2003	2004
Percent Increase over Previous Year	Overall	**7%**	**15%**	**13%**	**17%**	**22%**	**28%**	**55%**	**27%**	**18%**
	Mail				**137%**	**27%**	**81%**	**82%**	**24%**	**12%**
	Retail	**7%**	**27%**	**16%**	**21%**	**33%**	**50%**	**104%**	**37%**	**22%**
	MTFs	**7%**	**12%**	**8%**	**10%**	**18%**	**13%**	**21%**	**18%**	**15%**

* MTF costs do not include dispensing costs.

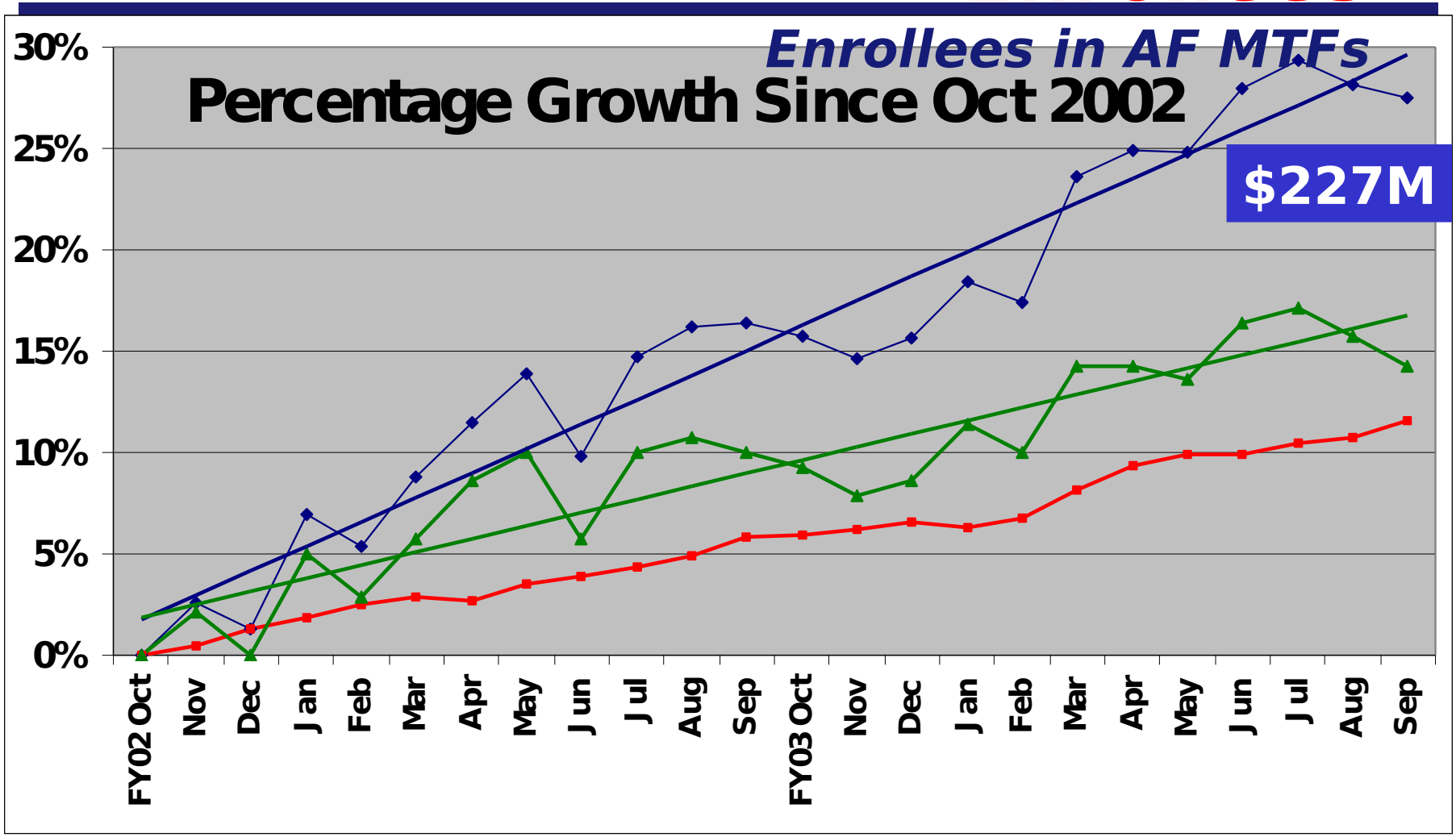
* Retail costs are contractor paid claims (HCSR Data); admin fees not included

* NMOP costs are not costs to government

Note: FY04 are contractor provided Independent Government Cost Estimates. These projections do not reflect Pharmacy budget or funding per the POM.

U.S. AIR FORCE

PMPM, Total Costs, # Enrollees



U.S. AIR FORCE

Beneficiaries Eligibles and Users

User Rates	ADD	NADD
FY 99	95%	62.1%
FY 00	95%	62.1%
FY 01	95%	63.5%
FY 02	95%	65.7%
FY 03	95%	71.3%

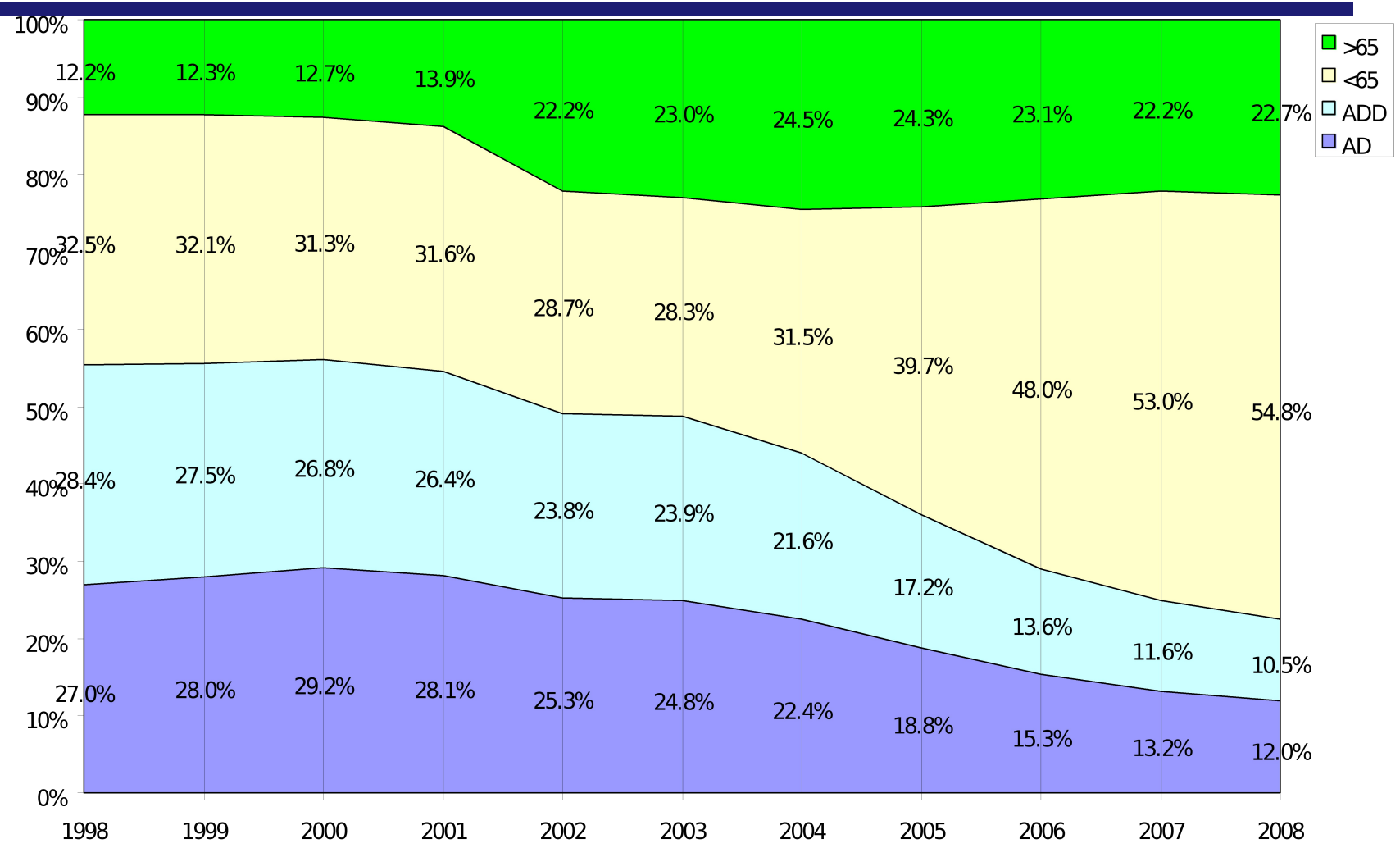
9.2 %

Increase

Note: FY03 are estimates based on data for October 2002-March 2003. Users are defined as eligibles who use the direct care system for non-pharmacy services.

U.S. AIR FORCE

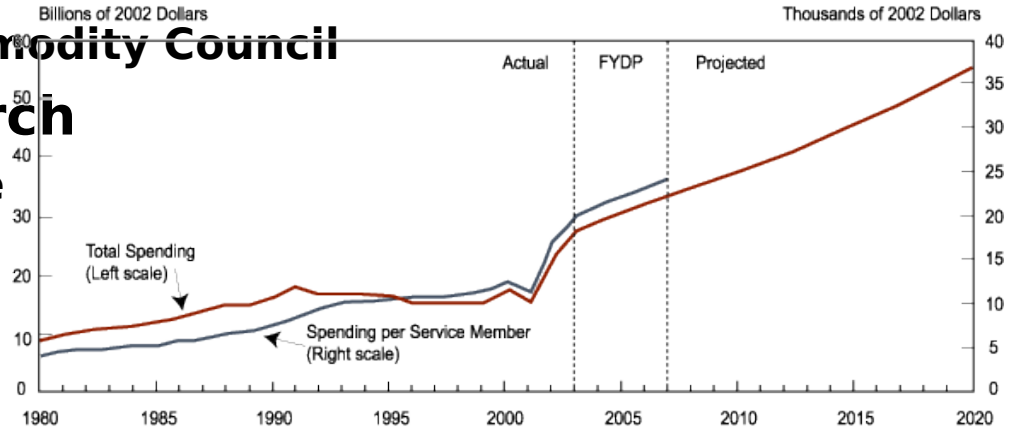
Beneficiary Share



U.S. AIR FORCE

Logistics' Peacetime Mandate

- **Deliver materiel and services at the lowest delivered cost**
- **Focus Areas**
  1. **Become more efficient in our business processes**
     - **Exploit e-commerce (Prime Vendor, ECAT)**
  2. **Leverage buying power**
     - **Support TRBO efforts**
     - **Support Medical Commodity Council**
  3. **Product price research**
     - **Conduct product price comparisons**



U.S. AIR FORCE

E-Commerce Metrics

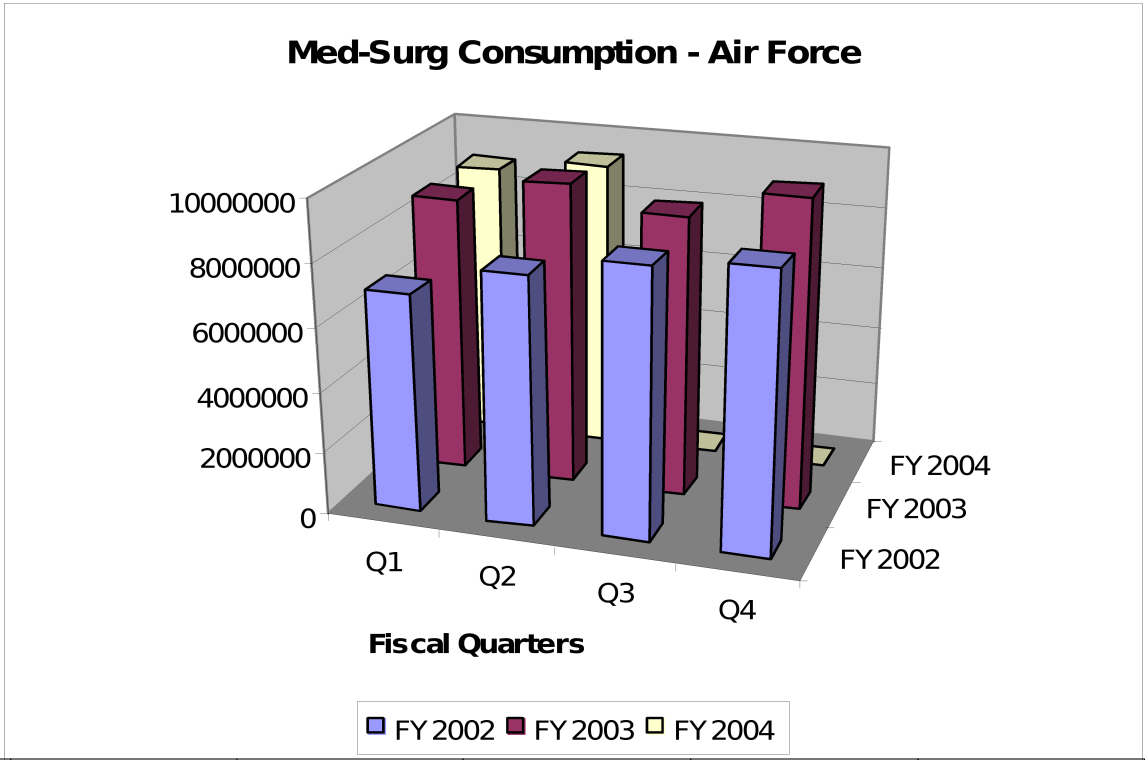
- **Percent of dollar value of items being purchased using e-commerce (PV/ECAT/MILSTRIP): 83.42%***
- **Percent of pharmaceuticals lines purchased through PVP: 97%****
- **Percent of med/surg lines purchased through PVM: 40%****
- **Percent of orders placed using IMPAC: 44.33%***
  - **Ordering over 12% of our total lines with the purchase card from non-contracted (LP) sources**

* AFMS-wide data from DMLSS sites only

** JMAR data from DMLSS sites only

Med/Surg Prime Vendor Consumption

Med/Surg Prime Vendor Consumption shows a generally positive trend



	Q1	Q2	Q3	Q4	Total
FY2002	$ 7,013,766	$ 7,942,013	$ 8,586,780	$ 8,854,567	$32,397,126
FY2003	$ 8,868,120	$ 9,667,716	$ 9,001,722	$ 9,910,376	$37,447,933
FY2004	$ 8,932,499	$ 9,341,123	$ -	$ -	$18,273,622

U.S. AIR FORCE

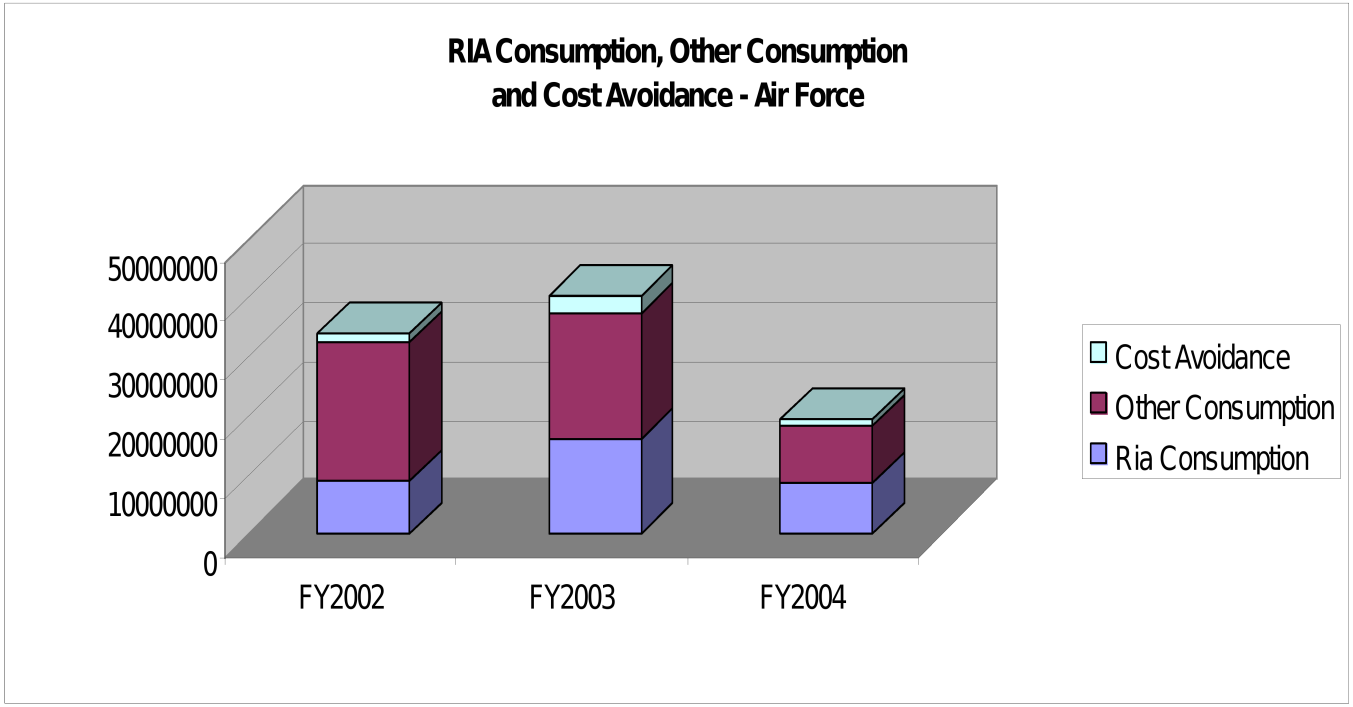
TRBO Cost Avoidance FY01 to FY04

Regions	Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003		Fiscal Year 2004	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1	$1,253,811	$1,076,160	$1,377,753	$1,980,740	$1,362,759	$1,496,562	$1,517,080	$1,091,649
2	344,932	615,745	534,823	631,061	1,376,421	1,106,065	1,220,901	628,028
3,4	880,359	465,932	1,225,826	1,226,310	1,668,459	1,908,491	2,207,190	1,017,033
5	242,998	262,641	134,637	203,143	293,842	373,206	399,603	216,993
6,7,8	1,643,569	1,349,789	1,422,187	2,818,347	1,974,140	4,781,658	4,101,411	2,087,432
9,10	1,075,997	843,348	695,632	724,647	960,667	1,244,067	1,364,308	683,432
11	1,272,837	1,427,299	775,083	1,568,908	712,079	652,833	607,500	497,280
12			7,456	55,330	77,143	209,414	296,682	267,324
Europe			9,232	50,152	92,224	218,634	213,925	112,671
Totals	**$6,714,503**	**$6,040,914**	**$6,182,629**	**$9,258,638**	**$8,517,734**	**$11,990,930**	**$11,928,600**	**$6,601,842**

U.S. AIR FORCE

RIA Sales

Data shows a strong improvement in RIA sales as a % of Consumption

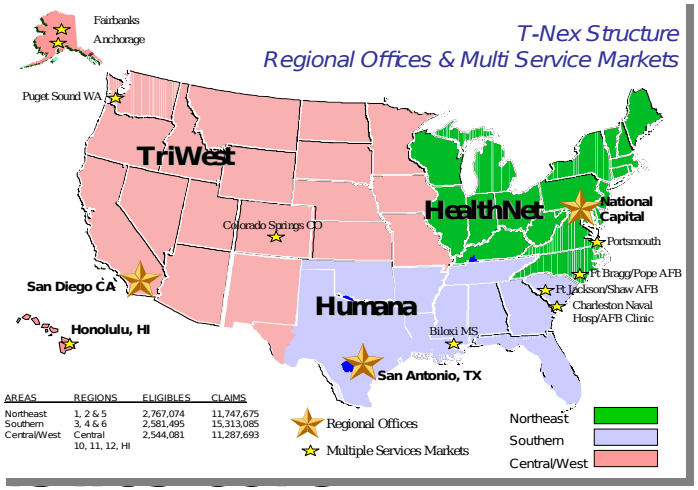


	RIA Consumption	Other Consumption	Total Consumption	Cost Avoidance	Estimated Cost Without RIAs	RIA % of Consumption	Cost Avoidance % of RIA Consumption
FY2002	$ 8,902,735	$ 23,494,392	$ 32,397,126	$1,437,236	$ 33,834,362	27.5%	13.9%
FY2003	$ 15,878,140	$ 21,569,793	$ 37,447,933	$2,831,139	$ 40,279,072	42.4%	15.1%
FY2004					$ 19,581,9		

U.S. AIR FORCE

T-NEX

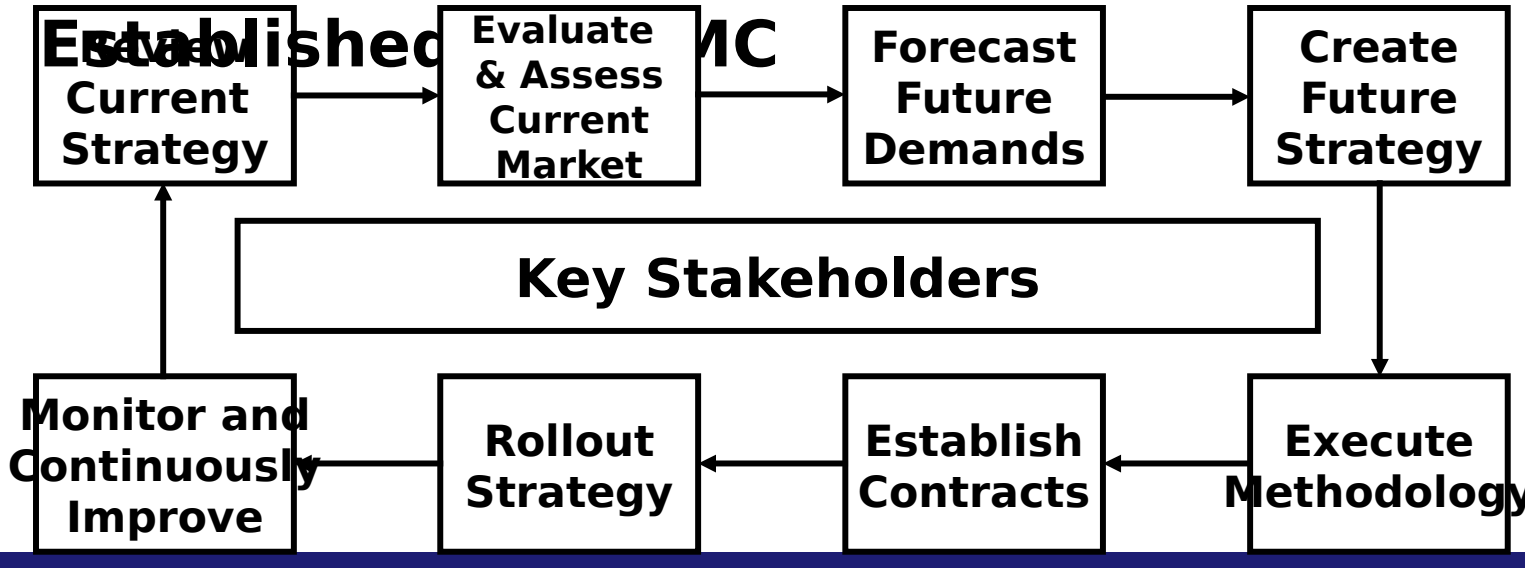
- **T-NEX, the next generation of TRICARE contracts**
  - **#1 Issue for OSD/HA**
- **Each Service must obtain the carved out services via traditional cont**
- **Carved out services include:**
  - **Medical Management**
  - **Referral Management**
  - **Resource Sharing**
  - **Third Party Collections**
- **Contract Management = log competency**



U.S. AIR FORCE

Commodity Council

- Cooperative effort with SAF/AQ to establish a cross functional team do strategic acquisition planning
- Goal is to leverage buying power of AFMS, provide MTFs with contracting alternatives, ensure buy-in by SAF/AQ to approach
- Established [illegible]MC



U.S. AIR FORCE

Product Price Research

- **AF Audit Agency findings**
  - **“16 of the 17 locations reviewed did not obtain the most cost-effective pharmaceuticals for 20,129 purchases during FY 2002.”**
  - **$7.7M in total excess expenditures**

U.S. AIR FORCE

Product Price Research

- Comparisons of equivalent pharmaceuticals facilitated by NDC numbers
- Comparisons of equivalent Med/Surg products more difficult
- Business Objects reports enable identification of items available through Prime Vendors
  - Dependent on accurate product identification data
- Data Synchronization effort underway at DSCP

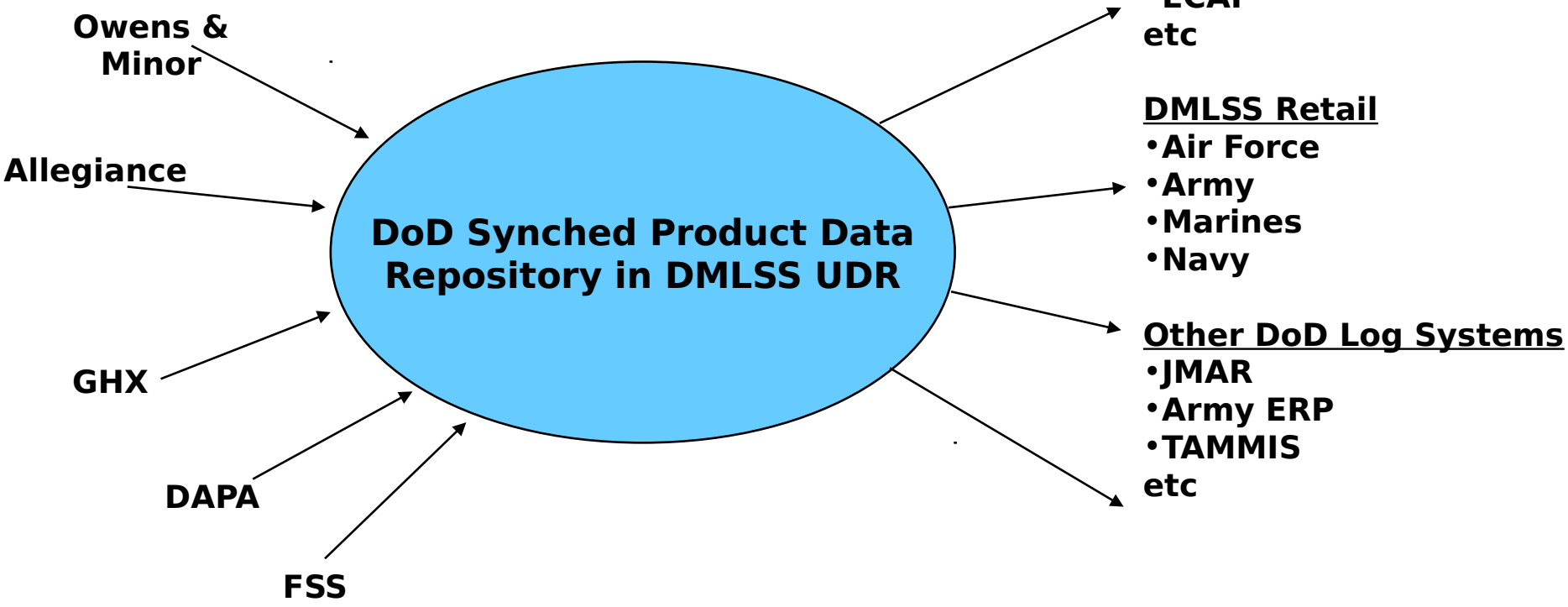
U.S. AIR FORCE

Data Synchronization

- ***Problem***
  - **The mishmash of data sources and formats in the medical supply chain is unmanageable**
- ***Consequences***
  - **Not able to fully exploit e-commerce**
    - **Computers can't deal with dirty or inconsistent data**
  - **Makes product research difficult for hospital systems**
    - **Hospitals are Paying Too Much**
      - Don't know best price on items at time of purchase
      - Cannot leverage purchasing volume for better prices
  - **Identification of Commercial Products in Support of Medical Assemblages is Broken (*JWCA Report 2002*)**
- ***Solution***
  - **All trading partners must clean up & synchronize product data to move from where we are now into an e-business environment**

Data Synchronization Short Term Solution

We sync data between our DoD Med-Surg trading partners on the top 20,000 DoD Med-Surg items and use that data in DMLSS



U.S. AIR FORCE

Data Synchronization Pilot Project

- **Demonstration Studies at Wilford Hall, Nellis and AFMLO**
- **Contractor: SAIC**
- **ROI 4.35:1**
  - **Product cost savings - 80% of ROI**
  - **Productivity enhancements through use of e-commerce sources (PV, ECAT) - 20% of ROI**
- **Better order fulfillment on allowance standard items**

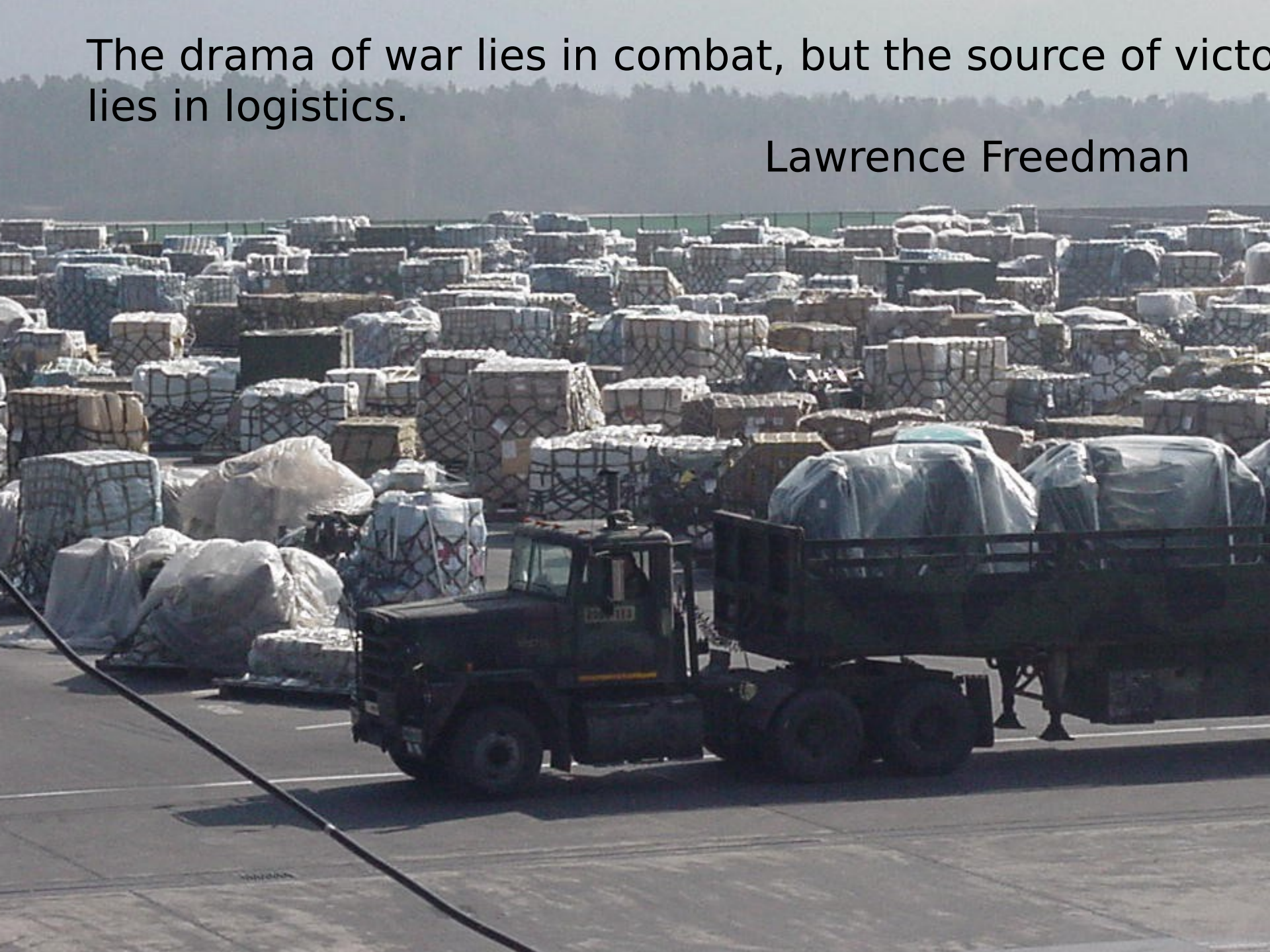
U.S. AIR FORCE

Data Synchronization
What can you do now?

- **Use DMLSS master catalog data for new item research and to build new item master records**
  - **Greater assurance of accurate manufacturer part number data**
  - **Identification of availability through the Prime Vendor**
- **Use Manufacturer Supplier Directory to input accurate manufacturer name**
- **Put manufacturer part number in appropriate field**
  - **Don’t put distributor/supplier information in the manufacturer name and part number fields**
- **Record accurate packaging data**

The drama of war lies in combat, but the source of victo
lies in logistics.

Lawrence Freedman



U.S. AIR FORCE

Lessons Learned

- **Expeditionary operations**
  - **OIF vital statistics**
    - **24 Bed-down sites**
    - **1370 short tons moved**
    - **$108M in medical WRM**
    - **1822 medics from 58 AFSCs**

- **OEF/OIF lessons learned**
  - **Over 800 LL collected (262 Log, 241 C2, 189 Trg)**

U.S. AIR FORCE

Logistics' Contingency Support Mandate

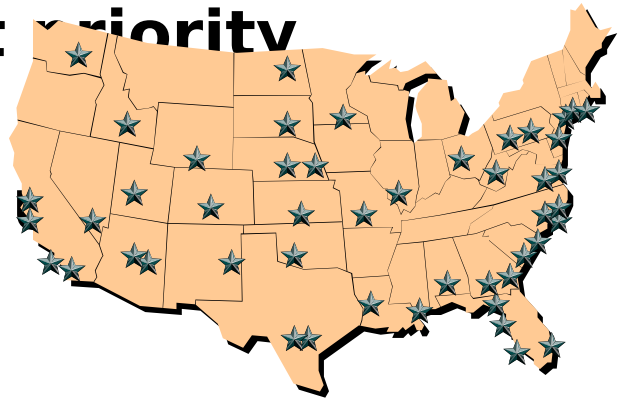
- **Provide medical logistics support for expeditionary medical operations**
- **Focus Areas**
  - **WRM in-garrison maintenance**
  - **Fragmented deployments**
  - **Sustainment**

OEF/OIF Lessons Learned
WRM In-garrison Maintenance

- **Equipment UTC not prepared to deploy to OEF**
  - **Very few deployed with 100% materiel availability**
  - **Pharmaceuticals expired**
  - **Equipment missing or out of calibration**
  - **Documentation missing**
- **OIF deployments vastly improved**
  - **Contractor support made a real difference**
- **Way ahead:**
  - **Continued contractor support for**
  - **Incorporate lessons learned in RS**

OEF/OIF Lessons Learned
Fragmented Deployment

- **Airlift is our Achilles' heel….too much cargo, too few planes**
- **Rarely met 15 STONS minimum weight for dedicated airlift**
- **Deployed through 50 APOEs to consolidate weight**
- **Medical materiel had a low lift priority**
- **Way ahead:**
  - **Centralized storage of equipment at originating APOEs**



OEF/OIF Lessons Learned

U.S. AIR FORCE

Sustainment

- **EML – reach back**
  - **Functioned well**
  - **Reach back moved to KellyUSA**
- **CENTCOM directed SIMLM to replace CONUS reach back**
- **SIMLM activation must be rapid….less than 60 days**
  - **ARCENT tasked in November 2001; not o 2**
  - **First EMEDS transitioned to SIMLM in Oc**
- **ARCENT funded SIMLM stock few AF items available**
- **Initial customer demands overwhelmed SIMLM**

USAMMC-SWA Theater Distribution Center
As Sayliyah, Qatar

OEF/OIF Lessons Learned
Sustainment

U.S. AIR FORCE

- **DLA Executive Agency will address the following:**
  - Deliberate planning to pre-designate a SIMLM for each AOR
  - Commonality among Services materiel sets
  - Funding mechanism to establish SIMLM inventory
  - Transportation/Distribution issues
  - Theater IT architecture
- **But, must always retain CON**
  reach back capability

USAMMC-SWA Theater Distribution Center
As Sayliyah, Qatar

Sustaining the Balance

Supporting the Warfighter and the Air Force Family

48th Medical Logistics Symposium

Nashville, Tennessee

August 4-6, 2004